
Manitoba



**Annual Report
1986**

**Manitoba
Municipal Employees
Benefits Board**

Manitoba



Minister of Municipal Affairs

June 10, 1987

His Honour George Johnson
Lieutenant Governor of Manitoba
225 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May It Please Your Honour:

As Minister responsible I have the privilege of presenting for the information of Your Honour the Tenth Annual Report of the Municipal Employees Benefits Board for the calendar year ended December 31, 1986.

Respectfully submitted,

A large, stylized handwritten signature of John M. Bucklaschuk, written in dark ink. The signature is fluid and cursive, with a large loop at the beginning.

John M. Bucklaschuk

Manitoba



The Municipal Employees Benefits Board

600 - 400 Tache Avenue
(Opposite St. Boniface Hospital)
Winnipeg, Manitoba
R2H 3C3

June 10, 1987

Telephone: 233-8722

Honourable John M. Bucklaschuk
Minister of Municipal Affairs
330 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting to you the Tenth Annual Report of the Municipal Employees Benefits Board. The Report summarizes the accomplishments of the Board in the 1986 calendar year and details the status of the pension, disability, and group insurance programs.

Audited financial statements, submitted by the Provincial Auditor as required, are appended to the Report.

These statements reveal the financial strength and administrative soundness of the Municipal Employees Benefits Fund and indicate municipal and quasi-municipal participants can continue to receive and expect to receive retirement, disability and insurance benefits as promised. Board members and the Board's supporting administrative staff are to be commended for their devotion, diligence and dedication in providing municipal employees with a financially secure benefits package.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "G.D. Forrest". The signature is fluid and cursive, with a long, sweeping tail that extends to the right.

G.D. Forrest
Chairman

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Report Of The Board

This Tenth Annual Report reviews and highlights the administrative and investment activities of the Municipal Employees Benefits Board for the calendar year 1986.

The Municipal Employees Benefits Board was established under subsection 179.12(1) of the Municipal Act in 1975.

The Board is appointed by the Lieutenant Governor in Council and is comprised of two employee representatives, two employer representatives and a chairman.

The Board is responsible for the administration of the provisions of the benefit plans established in accordance with the Municipal Act to provide benefits for employees of participating municipalities and quasi-municipal employers in Manitoba. Some of the required administrative and support services are provided by the staff of the Civil Service Superannuation Board.

As Trustees of the Municipal Employee Benefits Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a sub-committee of the Board.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

The Board is responsible for administering the Pension Plan which involves collecting employer pension contributions and pension contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds and other benefits on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit state-

ments, and preparing brochures outlining the benefits, newsletters, financial statements and an annual report.

The Board also administers the Group Life Insurance Plan which provides group life insurance and accidental death and dismemberment insurance for participating employees. The Board collects insurance contributions on behalf of the Constellation Assurance Company (administrator for the insurance carrier — Prudential Assurance), pays the necessary premiums, pre-audits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, to pay waiver of contribution benefits on disability, and to stabilize the premium rate.

In June, 1981, the Board began to administer the Disability Pension Part of the Plan which provides long-term disability benefits to disabled employees who qualify. The Board collects employee and employer contributions, processes applications for disability benefits, pays disability pensions, prepares explanatory literature, and provides counselling to disabled employees.

It is a pleasure to acknowledge the contributions many municipal and quasi-municipal employers made to facilitate the administrative functions of the Board. As well, support staff of the Board deserve warm recognition for their dedication and conscientious service to the Board, and through it, to municipalities, and municipal and quasi-municipal employees who are participating in the Benefits Program.

**THE MUNICIPAL EMPLOYEES
BENEFITS BOARD**

Municipal Employees Benefits Board

Chairman

Gerald D. Forrest
Chairman, Municipal Employees Benefits Board
Deputy Minister, Municipal Affairs
Winnipeg

Employer Representatives

Elmer Greenslade
City of Portage la Prairie
Representative, Manitoba Association
of Urban Municipalities

Dave Harms, Reeve
R.M. of Pembina
Representative, Union of Manitoba
Municipalities

Employee Representatives

Tom Clark, Vice Chairman
Municipal Employees Benefits Board
C.U.P.E. Winnipeg

Frank Woodmass
City Treasurer
City of Brandon

General Manager

Walter Worosz
General Manager, Municipal Employees Benefits Board
General Manager, Civil Service Superannuation Board
Winnipeg

Staff

Maureen Gander, Benefits Coordinator
Diane Ell, Benefits Coordinator
Kelly Davis, Kay Bakker

Consulting Actuary

John A. Turnbull, F.S.A., F.C.I.A.

Report Highlights

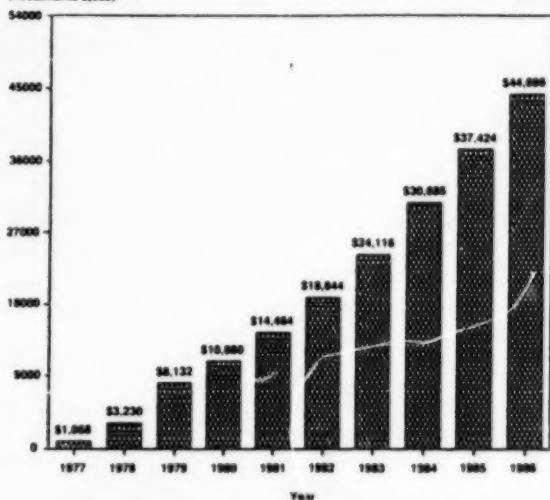
Municipal Employees Benefits Program 10 Year Comparative Statistics

	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
Pension Part of the Pension Plan										
Book Value of Investments	\$44,686,299	\$37,424,278	\$30,684,513	\$24,118,494	\$18,844,437	\$14,463,759	\$10,879,864	\$8,132,148	\$3,230,232	\$1,057,564
Investment Income	\$ 4,415,207	\$ 3,801,031	\$ 3,035,670	\$ 2,409,185	\$ 1,855,948	\$ 1,333,579	\$ 895,796	\$ 639,436	\$ 183,132	\$ 31,895
Employee Contributions	\$ 2,015,289	\$ 1,886,540	\$ 1,753,556	\$ 1,650,763	\$ 1,521,516	\$ 1,262,233	\$ 1,032,653	\$ 860,336	\$ 729,123	\$ 609,255
Employee Prior Service Contributions	\$ 12,149	\$ 10,364	\$ 13,889	\$ 16,731	\$ 20,567	\$ 124,195	\$ 92,764	\$ 78,021	\$ 184,202	\$ 105,102
Employer Contributions	\$ 2,015,316	\$ 1,886,793	\$ 1,753,657	\$ 1,648,621	\$ 1,520,819	\$ 1,263,298	\$ 1,032,715	\$ 860,336	\$ 729,123	\$ 609,163
Pension Payments	\$ 655,630	\$ 536,431	\$ 436,151	\$ 364,232	\$ 243,284	\$ 140,443	\$ 82,845	\$ 49,047	\$ 20,265	\$ 1,586
Refund of Contributions & Interest	\$ 360,402	\$ 426,179	\$ 244,651	\$ 182,903	\$ 174,019	\$ 283,298	\$ 183,498	\$ 151,627	\$ 109,485	\$ 18,009
Reciprocal Agreement - Transfers In	\$ 46,325	\$ 17,448	\$ 34,811	—	—	—	—	—	—	—
Reciprocal Agreement - Transfers Out	\$ 37,847	\$ 29,779	\$ 45,832	\$ 16,340	\$ 59,797	—	—	—	—	—
General Expenses	\$ 199,627	\$ 142,818	\$ 113,343	\$ 120,699	\$ 102,078	\$ 120,392	\$ 103,557	\$ 36,952	\$ 31,600	\$ 24,488
Participants in Fund	2,119	1,973	1,840	1,807	1,797	1,703	1,518	1,346	1,236	1,127
Employers Participating	260	257	247	243	241	238	236	228	218	207
Pensioners & Other Recipients	260	215	186	155	121	91	71	48	27	7
Terminated Employees	82	110	91	85	109	183	138	163	130	81
Disability Part of the Pension Plan										
Employee Contributions	\$ 150,141	\$ 142,311	\$ 130,668	\$ 117,978	\$ 105,918	\$ 49,415	—	—	—	—
Employer Contributions	\$ 158,053	\$ 140,830	\$ 130,097	\$ 115,978	\$ 100,427	\$ 46,532	—	—	—	—
Pension Payments	\$ 278,097	\$ 138,105	\$ 64,202	\$ 53,357	\$ 18,264	—	—	—	—	—
Refund of Contributions & Interest	\$ 11,915	\$ 18,483	\$ 9,232	\$ 7,193	\$ 2,853	—	—	—	—	—
Employers Participating	199	193	189	185	182	174	—	—	—	—
Employees in Receipt of Disability Benefits	39	27	12	7	4	1	—	—	—	—
Group Life Insurance Plan										
Employee Contributions	\$ 187,604	\$ 174,768	\$ 161,914	\$ 149,306	\$ 134,791	\$ 97,039	\$ 65,286	\$ 55,107	\$ 50,046	\$ 41,579
Employer Contributions	\$ 162,947	\$ 151,077	\$ 139,209	\$ 128,015	\$ 115,191	\$ 80,579	\$ 51,580	\$ 44,055	\$ 41,230	\$ 33,079
Death Claims	\$ 281,250	\$ 42,000	\$ 184,500	\$ 126,170	\$ 224,603	\$ 142,000	\$ 137,618	\$ 29,000	\$ 131,000	\$ 45,000
Employers Participating	217	212	206	203	201	199	196	188	175	149

Report Highlights (continued)

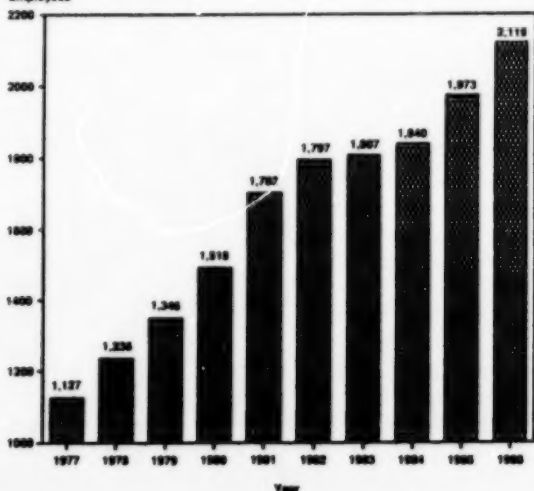
10 Year Fund Assets

Investments \$(000)



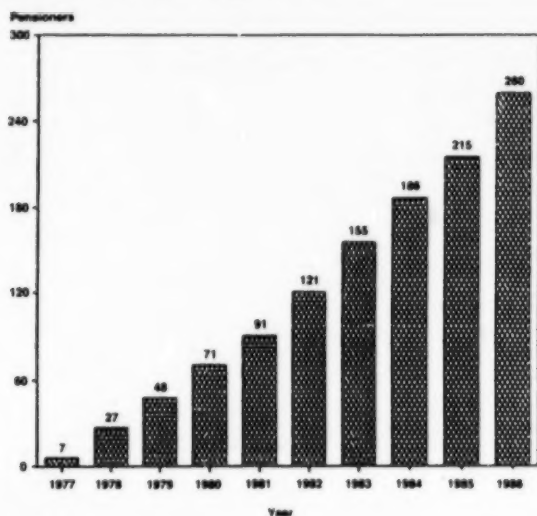
Employees by Year

Employees



Report Highlights (continued)

Pensioners by Year



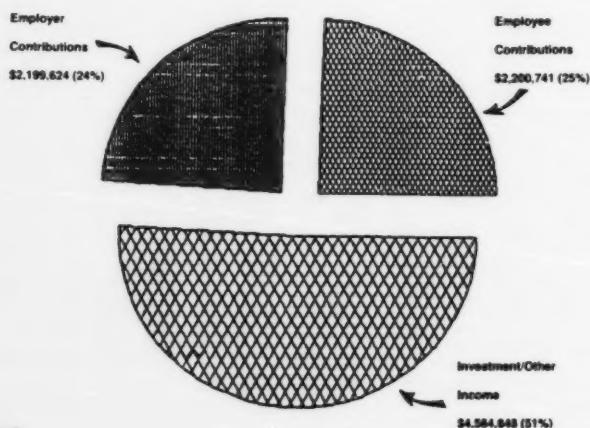
Municipal Employees Benefits Program

Pension Plan Activities

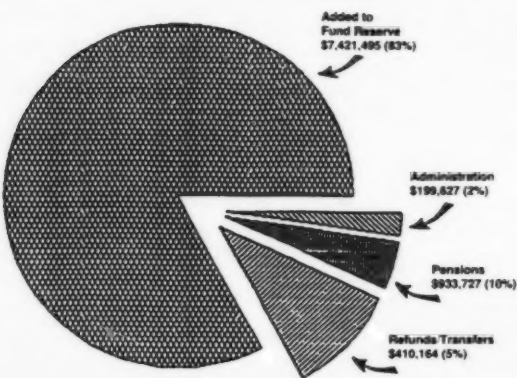
Pension Plan activities in 1986 compared with 1985 are displayed as follows:

	1986	1985	Increase (Decrease)
Book Value of Investments	\$44,686,299	\$37,424,278	\$7,262,021
Investment Income	\$ 4,415,207	\$ 3,801,031	\$ 614,176
Employee Contributions	\$ 2,015,289	\$ 1,886,540	\$ 128,749
Employee Prior Service Payments	\$ 12,149	\$ 10,364	\$ 1,785
Employer Contributions	\$ 2,015,316	\$ 1,886,793	\$ 128,523
Pension Payments	\$ 655,630	\$ 536,431	\$ 119,199
Refund of Contributions & Interest	\$ 360,402	\$ 426,179	\$ (65,777)
Reciprocal Agreement			
— Transfers In	\$ 46,325	\$ 17,448	\$ 28,877
Reciprocal Agreement			
— Transfers Out			
Employee & Employer Contributions & Interest	\$ 37,847	\$ 29,779	\$ 8,068
General Expenses	\$ 199,627	\$ 142,818	\$ 56,449
Participants in Fund	2,119	1,973	147
Employers Participating	260	257	3
Pensioners & Other Recipients	260	215	45
Terminated Employees	82	110	(28)

Pension and Disability Income



Disbursement of Income



Participation

In 1986, the following employers began participation:

- Rockwood-Rosser Weed Control District
- Southwestern Manitoba Regional Library
- St. Malo Arena Board

As at December 31, 1986, 194 municipalities plus 66 quasi-municipal organizations were participating in the Pension Plan. Participating municipalities with contributing members are listed in Appendix 1, The Report of the Provincial Auditor's Office.

In 1986, 281 employees joined the Plan, bringing the total participants to 2,119. (This figure includes 34 members who were advised to remain in prior pension plans, but who contribute to the Disability Pension Part of the Plan.)

Pension Benefits

In 1986, pensions paid totalled \$655,630, a net increase of \$119,199 over 1985. As at December 31, 1986, pensions were payable to 232 pensioners, 11 beneficiaries, and 17 spouses of employees who died in service. In 1986, five employees died in service and their spouses are receiving lifetime annuities, guaranteed for 10 years. There were 40 new retirements in 1986, including one former employee whose paid-up pension commenced early due to a disability. New retirees elected the following pension options:

Pension reducing to two-thirds at pensioner's death	19
Pension reducing to one-half at pensioner's death	3
15 Year Guarantee	3
Lifetime*	15
Total	40

*NOTE: The majority of pensioners who elected the lifetime pension were either single or had small pensions due to short service.

An amendment to the Pension Benefits Act, effective January 1, 1984, requires that employees who have a spouse at the time of retirement must select a joint form of pension that, at the death of the pensioner, provides two-thirds of the pension to the spouse for life. This compulsory pension option may be waived if the employee's spouse completes a spousal waiver form.

Since 1981, the Municipal Employees Benefits Board has extended to employees who elect to retire early the option of "integrating" their MEBB pension and receiving advances on their Old Age Security and/or Canada Pension. Those who choose to integrate their pension receive the same pension income before and after age 65. In 1986, 13 retirees chose to integrate.

As at December 31, 1986, there were 40 members with paid-up or deferred pensions.

Cost-of-Living Adjustment in Pensions

Effective July 1, 1986, a cost-of-living adjustment was paid to eligible pensioners and beneficiaries whose deceased spouses retired prior to July 1, 1985. Cost-of-living adjustments equalling 50% of the 4.35% increase in the Consumer Price Index for 1985, or 2.18%, were paid. Each employee entitled to the full increase received 25¢ per month for each year of contributory service to a maximum of 35 years plus 1.09% of the ordinary lifetime pension.

Beneficiaries receive two-thirds of the increase which would have been paid had the retired employee been alive at the date of increase.

Pension Refunds

In 1986, refunds totalling \$372,317 were paid. This included refunds of pension contributions and interest, disability pension contributions and interest, plus ex-

cess employee contributions and interest (50% test)*. These refunds are divided as follows:

	Number of Employees	Amount of Payment
Terminated Employees — full refund	82	\$247,547
Terminated Employees — combination refund and paid-up pension	17	69,274
Transfers out re: marriage breakup	2	18,243
Refunds to estates of deceased employees	2	35,481
Refunds of excess on retirement	19	1,566
Miscellaneous refunds	1	206
		\$372,317

*NOTE: If the accumulated employee contributions for the benefit after January 1, 1985 have a value in excess of 50% of the commuted

value of the benefit, the excess must be refunded to the employee or used to provide additional benefits.

Prior Employment Recognition

Up to the end of 1981, the Municipal Employees Benefits Board allowed the purchase of prior service benefits by employees who were employed by municipalities or quasi-municipal organizations prior to the introduction of the MEBB Pension Plan in 1976. When a new employer joins the Plan, the existing employees are also given the opportunity to purchase prior service benefits if they elect to do so within three months of the employer's effective date of participation. In 1986, the Board received payments from 15 employees who had elected to obtain credit for prior non-contributory service. These payments totalled \$15,241 in 1986.

Reciprocal Pension Agreements - Other Jurisdictions

Reciprocal agreements permitting the transfer of pension credits between MEBB and the following pension plan authorities were in effect at calendar year end.

Alberta Local Authorities Pension Board
Saskatchewan Municipal Employees Superannuation Commission
Ontario Municipal Employees Retirement Board (OMERS)
Government of Canada — Public Service Pension Plan

Reciprocal Pension Agreements - Manitoba Transfers

At 1986 year end, 21 employees whose contributions remain in the MEBB Plan had transferred to the Manitoba Civil Service Superannuation Plan. Pensions paid to these employees at retirement will be based on the best seven years earnings out of the last 12 years with the province and/or municipal employer.

	Transfers to MEBB in 1986		Transfers from MEBB in 1986	
	Number	Amount	Number	Amount
Govt. of Can. — Public Service	2	\$46,325	1	\$11,222
Sask. Mun. Employees Sup. Com.		—	1	26,625
Total		\$46,325		\$37,847

Disability Pension Part of the Plan

A Disability Pension Part of the Plan came into being on June 1, 1981. Activities in 1986 compared with 1985 are displayed as follows:

Disability Pension Part of the Plan	1986	1985	Increase (Decrease)
Employee Contributions	\$150,141	\$142,311	\$ 7,830
Employer Contributions	\$158,050	\$140,830	\$ 17,223
Pension Payments	\$278,097	\$138,105	\$139,992
Refund of Contributions & Interest	\$ 11,915	\$ 18,483	\$ (6,568)
Employers Participating	199	193	6
Employees in Receipt of Disability Benefits	39	27	12

Group Life Insurance Plan

At 1986 year end, 160 municipalities plus 57 quasi-municipal organizations participated in the group life insurance program described as follows:

Group Life Insurance Plan	1986	1985	Increase (Decrease)
Employee Contributions	\$187,604	\$174,768	\$ 12,836
Employer Contributions	\$162,947	\$151,007	\$ 11,940
Death Claims	\$281,250	\$ 42,000	\$239,250
Employers Participating	217	212	5

Information Services

Board staff members are available to answer inquiries or meet individually with any employee (and spouse, family, etc.) who wishes information and assistance on termination or retirement planning or other matters of concern. During 1986, many municipal employees and spouses took advantage of this information and counselling service.

A presentation on the Benefits Program was made at the Annual Convention of the Municipal Administrators' Association.

An Annual Employee Benefits Statement detailing plan members' status, contributions, contributory service, current and projected pension benefits, and the amount of group insurance coverage, if applicable, was distributed to each member. Members were also sent a copy of the Annual Report.

Report on Changes in Status - Participants

For the year ended December 31, 1986

Males					
Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1986
-19	1				2
20-24	44	6			76
25-29	39	12			191
30-34	27	15	1		243
35-39	32	9			249
40-44	11	5			183
45-49	14	3		1	183
50-54	19	2			211
55-59	9		4	5	168
60-	5	1	2	30	143
	201	53	7	36	1,649

Females					
Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1986
-19	1				1
20-24	26	7			54
25-29	14	6			72
30-34	10	10			67
35-39	12	2			65
40-44	11	2			75
45-49	4	2			61
50-54	1				32
55-59	1	2		1	23
60-				3	20
	80	31	—	4	470
Totals	281	84	7	40	2,119

Actuarial Studies

Triennial Valuation

The Municipal Act requires that an actuarial report be made on the financial position of the Fund at the end of each three year period. An Actuarial Report was prepared as at January 1, 1986 and is summarized in Appendix 2. Copies of the complete report may be obtained by contacting the MEBB office.

Actuarial valuations and cost studies provide the basis for decision making regarding improvements in benefits such as increases in pension to offset increases in the cost of living. The following highlights the actuarial position of the Fund as determined by Turnbull and Turnbull, Consulting Actuaries.

	Service to Date Method*		Total Service Method*	
Actuarial Position of Fund as of:	Jan. 1/86 (\$000)	Jan. 1/86 (\$000)	Jan. 1/83 (\$000)	Increase (Decrease) (\$000)
Assets	35,379	100,276	67,658	32,618
Liabilities	32,933	95,143	59,426	35,717
Actuarial Surplus	2,446	5,133	8,232	(3,099)

*NOTE: The Actuarial Report as at January 1, 1983 was prepared using only the total service method of valuation. The January 1, 1986 report was prepared using both the total service and service to date methods of valuation. In fu-

ture, only the service to date method will be used as it provides the information requested by regulating authorities. The summary in Appendix 2 explains the difference between these two valuation methods.

Pension Plan Benefit Improvements Financed Out of Actuarial Surplus

The improvements in benefits financed out of the surplus as at January 1, 1983 were described in the Eighth and Ninth Annual Reports and are summarized in Appendix 2. The Actuary has indicated that the surplus as at January 1, 1986 is available to provide further improvements in benefits.

Investments

The following comparative table illustrates investments held in trust by the Municipal Employees Benefits Board as of December 31, 1986.

Investment Holdings	1986 (\$000)	1985 (\$000)	Increase (Decrease) (\$000)
Bonds:			
Federals & Provincials	3,930	4,174	(244)
City & Municipal	814	876	(62)
Corporate	4,812	1,895	2,917
Pooled Bond Funds	5,253	3,766	1,487
Calendar Year Funds	3,424	3,895	(471)
	18,233	14,606	3,627
Mortgages:			
CMHC Insured	1,762	1,756	6
Pooled Mortgage Funds	12,180	10,560	1,620
	13,942	12,316	1,626
Short-Term Certificates	2,848	2,938	(90)
Equities			
Common Stock	4,454	4,225	229
Petroleum & Natural Gas Interests	545	500	45
	4,999	4,725	274
Real Estate	4,546	2,959	1,587
Total	44,568	37,544	7,024

NOTE: The average yield on new bonds purchased in 1986 was 10.4%.

Appendix 1



Manitoba

Report of the Provincial Auditor's Office

The Municipal Employee Benefits Fund

We have examined the financial statements, being Exhibits A to G and Schedules 1 to 4, of The Municipal Employee Benefits Fund for the fiscal year ended December 31, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1986 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "F.H. Jackson".

April 7, 1987,
Winnipeg, Manitoba

F.H. Jackson, C.A.,
Provincial Auditor

Exhibit A**The Municipal Employee Benefits Fund****Balance Sheet - Pension Fund**

as at December 31, 1986

(with 1985 figures for comparison)

	1986	1985
ASSETS		
Cash	\$ 10,113	\$ 241,802
Employees' and employers' contributions receivable	328,869	338,677
Investments, Schedule 1, Note 2(a)	44,686,299	37,424,278
Accrued investment income	520,054	274,903
Computer Equipment, Note 2(d)	5,913	—
	\$45,551,248	\$38,279,660
LIABILITIES		
Cheques issued and outstanding	\$ 11,979	\$ 275,874
Accounts payable	42,560	22,330
Money Purchase Accounts Plan, Exhibit G, Note 8	7,105	—
Provision for investment losses, Exhibit E, Note 2(b)	417,122	330,469
Pension indexing adjustment account, Exhibit F, Note 5	2,956,856	2,628,864
Reserve for present and future pension benefits, Exhibit C	42,115,626	35,022,123
	\$45,551,248	\$38,279,660

Exhibit B**The Municipal Employee Benefits Fund****Balance Sheet - Insurance Fund**

as at December 31, 1986

(with 1985 figures for comparison)

	1986	1985
ASSETS		
Cash	\$ 29,364	\$ 8,312
Employees' and employers' contributions accrued, Note 2(e)	27,476	26,251
Funds on deposit with The Prudential Assurance Company Limited	131,479	125,458
Term deposits	350,000	150,000
Accrued interest	3,988	2,291
	\$542,307	\$312,312
LIABILITIES		
Accounts payable	\$ 1,953	\$ 1,432
Insurance contributions account, Note 2(e)	29,381	27,891
Reserve for present and future insurance benefits, Exhibit D	510,973	282,989
	\$542,307	\$312,312

Exhibit C**The Municipal Employee Benefits Fund****Statement of Changes in the Reserve
for Present and Future Pension Benefits**

for the year ended December 31, 1986
(with 1985 figures for comparison)

	1986	1985
Additions:		
Employers' and employees' contributions, Schedule 2	\$ 4,400,365	\$ 4,107,878
Investment income, Schedule 3	4,415,207	3,801,031
Experience refund re prior carrier, Note 3	140,765	—
Bank and other interest	8,676	5,434
Total additions	8,965,013	7,914,343
Deductions:		
Pension payments	655,630	536,431
Pension payments — long-term disability	278,097	138,105
Refunds of contributions and interest, Note 2(c)	372,317	444,661
Payments of contributions and interest to other pension plans	37,847	29,779
Administrative expenses, Schedule 4, Note 4	199,627	142,818
Total deductions	1,543,518	1,291,794
Net increase for the year	\$ 7,421,495	\$ 6,622,549

**Changes in the Reserve for
Present and Future Pension Benefits**

Balance at beginning of year	\$35,022,123	\$31,028,438
Net increase for the year	7,421,495	6,622,549
Net transfer to pension indexing adjustment account, Exhibit F	(327,992)	(2,628,864)
Balance at end of year, Exhibit A	\$42,115,626	\$35,022,123

Exhibit D**The Municipal Employee Benefits Fund****Statement of Changes in the Reserve
for Present and Future Insurance Benefits**

for the year ended December 31, 1986
(with 1985 figures for comparison)

	1986	1985
Additions:		
Contributions:		
Employees	\$187,603	\$174,768
Employers	162,947	151,077
Total contributions	350,550	325,845
Interest income	15,743	13,159
Increase in experience surplus held by The Prudential Assurance Company Limited, Note 7(a)	6,021	89,289
Insurance experience refund, Note 7	154,816	11,600
Total additions	527,130	439,893
Deductions:		
Actuarial fees	14,442	8,118
Premiums to The Prudential Assurance Company Limited	284,704	286,352
Total deductions	299,146	294,470
Net increase for the year	\$227,984	\$145,423

**Changes in the Reserve for
Present and Future Insurance Benefits**

Balance at beginning of year	\$282,989	\$137,566
Net increase for the year	227,984	145,423
Balance at end of year, Exhibit B	\$510,973	\$282,989

Exhibit E**The Municipal Employee Benefits Fund****Statement of Changes in the Provision
for Investment Losses**

for the year ended December 31, 1986
(with 1985 figures for comparison)

	1986	1985
Additions:		
Transfer from investment income, Schedule 3	\$ 86,653	\$ 72,969
Total additions	86,653	72,969
Balance at beginning of year	330,469	257,500
Balance at end of year, Exhibit A	\$417,122	\$330,469

Exhibit F**The Municipal Employee Benefits Fund****Statement of Changes in the Pension
Indexing Adjustment Account**

for the year ended December 31, 1986
(with 1985 figures for comparison)

	1986	1985
Additions:		
Initial transfer to establish the pension indexing adjustment account	\$ —	\$2,376,200
Interest	342,162	256,775
Total additions	342,162	2,632,975
Deductions:		
Charge for pension cost-of-living adjustments	14,170	4,111
Net transfer from reserve for present and future pension benefits, Exhibit C, Note 5	327,992	2,628,864
Balance at beginning of year	2,628,864	—
Balance at end of year, Exhibit A	\$2,956,856	\$2,628,864

Exhibit G

The Municipal Employee Benefits Fund

**Statement of Money Purchase
Accounts Plan**

for the year ended December 31, 1986

	1986
Additions:	
Deposits	\$6,955
Interest	150
Balance at end of year, Exhibit A	\$7,105

Schedule 1**The Municipal Employee Benefits Fund****Summary of Investments**

as at December 31, 1986

	Par Value	Book Value
Fixed income investments:		
Term deposits	\$ 2,849,125	\$ 2,849,125
Bonds and debentures:		
Government of Canada	\$ 3,685,000	3,579,571
Province of Ontario	100,000	100,000
Province of Saskatchewan	250,000	250,000
Hospitals	250,000	250,000
Municipal Corporations	564,000	564,000
Corporations	4,866,000	4,812,206
	<u>\$ 9,715,000</u>	<u>9,555,777</u>
Pooled bond funds		5,245,020
Calendar year funds		3,423,758
Mortgages — National Housing Act (Canada)	<u>\$ 1,780,781</u>	<u>1,761,704</u>
Pooled mortgage funds		12,180,065
Unamortized net gains on disposition		(354,227)
Total fixed income investments at amortized cost, Note 2 (a) (i)		34,661,222
Equity investments:		
Pooled equity funds		4,461,052
Petroleum & natural gas investments, shares	545,000	
Real estate		
Units of pooled real estate		4,546,329
Unamortized gains on disposition		(13,350)
Unrealized appraisal adjustments		486,046
Total equity investments, Note 2(a)(ii)		\$10,025,077
Total investments, Exhibit A		\$44,686,299

Schedule 2**Page 1****The Municipal Employee Benefits Fund****Statement of Pension Contributions**

for the year ended December 31, 1986

Municipal corporations	Employers' contributions	Employees' contributions	Total
Cities			
Brandon	\$ 461,300	\$ 461,300	\$ 922,600
Flin Flon	60,377	60,377	120,754
Portage la Prairie	69,172	69,172	138,344
Thompson	144,014	144,014	288,028
	734,863	734,863	1,469,726
Local government districts			
Alexander	5,194	5,194	10,388
Alonsa	1,076	1,076	2,152
Armstrong	787	787	1,574
Churchill	43,258	43,258	86,516
Consol	1,163	1,163	2,326
Fisher	2,833	2,833	5,666
Gillam	29,002	29,002	58,004
Grahamdale	708	708	1,416
Grand Rapids	4,375	4,375	8,750
Lynn Lake	13,088	13,088	26,176
Mountain	657	657	1,314
Mystery Lake	14,567	14,567	29,134
Park	198	198	396
Pinawa	21,624	21,624	43,248
Reynolds	837	837	1,674
	139,367	139,367	278,734
Rural municipalities			
Albert	1,056	1,056	2,112
Argyle	6,014	6,014	12,028
Arthur	3,259	3,259	6,518
Bifrost	4,266	4,266	8,532
Birtle	3,454	3,454	6,908
Blanshard	2,413	2,413	4,826
Brenda	5,383	5,383	10,766
Brokenhead	5,457	5,457	10,914
Cameron	2,730	2,730	5,460
Subtotal, carried forward	\$ 34,032	\$ 34,032	\$ 68,064

Schedule 2**Page 2****The Municipal Employee Benefits Fund****Statement of Pension Contributions**

for the year ended December 31, 1986

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 34,032	\$ 34,032	\$ 68,064
Rural municipalities (cont'd)			
Cartier	5,697	5,697	11,394
Clanwilliam	1,656	1,656	3,312
Coldwell	3,037	3,037	6,074
Cornwallis	3,697	3,697	7,394
Daly	2,902	2,902	5,804
Dauphin	9,758	9,758	19,516
De Salaberry	5,406	5,406	10,812
Dufferin	8,461	8,461	16,922
East St. Paul	14,428	14,421	28,849
Edward	6,099	6,099	12,198
Ellice	1,216	1,216	2,432
Elton	3,127	3,127	6,254
Eriksdale	1,882	1,882	3,764
Franklin	6,669	6,669	13,338
Gilbert Plains	6,711	6,711	13,422
Gimli	7,760	7,760	15,520
Glenella	1,535	1,535	3,070
Glenwood	1,726	1,726	3,452
Grandview	6,198	6,198	12,396
Grey	6,434	6,434	12,868
Hamiota	2,220	2,220	4,440
Hanover	9,459	9,459	18,918
Harrison	2,753	2,753	5,506
Hillsburg	2,586	2,586	5,172
La Broquerie	2,960	2,960	5,920
Lac du Bonnet	8,615	8,615	17,230
Lakeview	1,714	1,714	3,428
Langford	3,058	3,058	6,116
Lansdowne	3,677	3,677	7,354
Lawrence	3,959	3,959	7,918
Lorne	6,239	6,239	12,478
Louise	4,541	4,541	9,082
Macdonald	12,753	12,753	25,506
McCreary	1,619	1,619	3,238
Miniota	4,439	4,439	8,878
Minitonas	4,817	4,817	9,634
Minto	2,467	2,467	4,934
Subtotal, carried forward	\$ 216,307	\$ 216,300	\$ 432,607

Schedule 2

Page 3

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1986

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 216,307	\$ 216,300	\$ 432,607
Rural municipalities (cont'd)			
Montcalm	7,052	7,052	14,104
Morris	13,200	13,200	26,400
Morton	468	468	936
Mossey River	2,666	2,666	5,332
North Cypress	5,760	5,760	11,520
North Norfolk	7,377	7,377	14,754
Ochre River	2,062	2,062	4,124
Odanah	1,757	1,757	3,514
Pembina	8,736	8,736	17,472
Pipestone	8,703	8,703	17,406
Portage la Prairie	17,156	17,156	34,312
Rhineland	9,087	9,087	18,174
Ritchot	7,398	7,398	14,796
Riverside	1,683	1,683	3,366
Roblin	4,252	4,252	8,504
Rockwood	7,420	7,420	14,840
Roland	3,589	3,589	7,178
Rosedale	4,243	4,243	8,486
Rosser	4,075	4,075	8,150
Russell	646	646	1,292
St. Andrews	11,622	11,622	23,244
Ste. Anne	3,679	3,679	7,358
St. Clements	10,013	10,013	20,026
St. Francois Xavier	1,148	1,148	2,296
St. Laurent	1,507	1,507	3,014
Ste. Rose	3,077	3,077	6,154
Saskatchewan	3,486	3,486	6,972
Shellmouth	3,729	3,729	7,458
Shell River	4,224	4,224	8,448
Shoal Lake	836	836	1,672
Sifton	2,954	2,954	5,908
Siglunes	2,306	2,306	4,612
Silver Creek	2,608	2,608	5,216
South Cypress	3,694	3,694	7,388
South Norfolk	2,343	2,343	4,686
Springfield	17,798	17,798	35,596
Subtotal, carried forward	\$ 408,661	\$ 408,654	\$ 817,315

Schedule 2**Page 4****The Municipal Employee Benefits Fund****Statement of Pension Contributions**

for the year ended December 31, 1986

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 408,661	\$ 408,654	\$ 817,315
Rural municipalities (cont'd)			
Stanley	7,643	7,643	15,286
Strathclair	1,854	1,854	3,708
Strathcona	3,118	3,118	6,236
Swan River	5,443	5,443	10,886
Tache	6,915	6,915	13,830
Thompson	5,023	5,023	10,046
Turtle Mountain	4,094	4,094	8,188
Victoria	4,088	4,088	8,176
Victoria Beach	4,094	4,094	8,188
Wallace	5,075	5,069	10,144
Westbourne	8,501	8,501	17,002
West St. Paul	6,174	6,174	12,348
Whitehead	2,644	2,644	5,288
Whitemouth	3,271	3,271	6,542
Whitewater	3,263	3,263	6,526
Winchester	5,178	5,178	10,356
Woodlands	4,961	4,961	9,922
Woodworth	4,064	4,064	8,128
	494,064	494,051	988,115
Towns			
Altona	14,695	14,695	29,390
Beausejour	10,503	10,503	21,006
Birtle	1,899	1,899	3,798
Boissevain	4,290	4,290	8,580
Carberry	4,005	4,005	8,010
Carman	6,637	6,637	13,274
Dauphin	53,935	53,935	107,870
Deloraine	5,132	5,132	10,264
Emerson	2,743	2,743	5,486
Gimli	7,670	7,670	15,340
Gladstone	2,853	2,853	5,706
Grandview	5,195	5,195	10,390
Hartney	2,045	2,045	4,090
Killarney	4,916	4,916	9,832
Subtotal, carried forward	\$ 126,518	\$ 126,518	\$ 253,036

Schedule 2**Page 5****The Municipal Employee Benefits Fund****Statement of Pension Contributions**

for the year ended December 31, 1986

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 126,518	\$ 126,518	\$ 253,036
Towns (cont'd)			
Leaf Rapids	17,332	17,332	34,664
Melita	4,778	4,778	9,556
Minnedosa	11,408	11,408	22,816
Morden	23,020	23,020	46,040
Morris	4,602	4,602	9,204
Neepawa	16,541	16,541	33,082
Rapid City	560	560	1,120
Rivers	4,150	4,150	8,300
Roblin	8,992	8,992	17,984
Russell	5,560	5,560	11,120
Selkirk	58,387	58,387	116,774
Snow Lake	10,217	10,217	20,434
Souris	9,104	9,104	18,208
Steinbach	26,637	26,637	53,274
Stonewall	8,945	8,945	17,890
Swan River	18,739	18,739	37,478
The Pas	36,435	36,435	72,870
Virden	12,451	12,451	24,902
Winkler	17,710	17,710	35,420
Winnipeg Beach	5,079	5,079	10,158
	427,165	427,165	854,330
Villages			
Arborg	3,160	3,160	6,320
Benito	2,014	2,014	4,028
Binscarth	660	660	1,320
Bowsman	1,436	1,436	2,872
Cartwright	1,132	1,132	2,264
Crystal City	1,834	1,834	3,668
Dunnottar	5,673	5,673	11,346
Erickson	1,703	1,703	3,406
Gilbert Plains	4,690	4,690	9,380
Glenboro	2,087	2,087	4,174
Gretna	1,666	1,666	3,332
Hamiota	4,677	4,677	9,354
Subtotal, carried forward	\$ 30,732	\$ 30,732	\$ 61,464

Schedule 2**Page 6****The Municipal Employee Benefits Fund****Statement of Pension Contributions**

for the year ended December 31, 1986

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 30,732	\$ 30,732	\$ 61,464
Villages (cont'd)			
Lac du Bonnet	3,463	3,463	6,926
MacGregor	1,560	1,560	3,120
Manitou	1,832	1,832	3,664
McCreary	635	619	1,254
Minitonas	858	858	1,716
Niverville	2,666	2,666	5,332
Notre Dame de Lourdes	1,642	1,642	3,284
Pilot Mound	2,499	2,499	4,998
Plum Coulee	1,936	1,936	3,872
Powerview	1,808	1,808	3,616
Ste. Anne	7,973	7,973	15,946
St. Claude	1,785	1,785	3,570
St. Lazare	832	832	1,664
St. Pierre	2,711	2,684	5,395
Ste. Rose du Lac	1,936	1,936	3,872
Shoal Lake	2,636	2,636	5,272
Somerset	1,700	1,700	3,400
Teulon	2,167	2,167	4,334
Treherne	3,125	3,125	6,250
Waskada	713	713	1,426
Wawanesa	573	573	1,146
Winnipegosis	3,158	3,158	6,316
	78,940	78,897	157,837
Quasi-municipal organizations			
Weed control boards and districts			
Agassiz	1,078	1,078	2,156
Argyle-Lorne-Somerset	924	924	1,848
Arthur-Edward	873	873	1,746
Brenda-Winchester	880	880	1,760
Cameron-Sifton	628	628	1,256
Dauphin-Ochre	896	896	1,792
Franklin	1,012	1,012	2,024
Gilbert Plains-Grandview	775	775	1,550
Subtotal, carried forward	\$ 7,066	\$ 7,066	\$ 14,132

Schedule 2

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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1986

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 7,066	\$ 7,066	\$ 14,132
Weed control boards and districts (cont'd)			
Glenboro-South Cypress	770	770	1,540
Louise-Roblin	814	814	1,628
Macdonald	814	814	1,628
North Norfolk and District	1,100	1,100	2,200
North Cypress	818	818	1,636
Pembina-Manitou	1,123	1,123	2,246
Pipestone-Albert	924	924	1,848
Red River	440	440	880
Rockwood-Rosser	936	936	1,872
Rosedale-Langford-Neepawa	836	836	1,672
Selkirk	1,111	1,111	2,222
South Central	924	924	1,848
Southeast	1,135	1,134	2,269
Springfield-Tache	1,122	1,122	2,244
Stanley-Thompson	1,045	1,045	2,090
Stuartburn-Piney	915	915	1,830
Wallace	623	623	1,246
Westbourne	814	814	1,628
Whitemouth-Reynolds	929	929	1,858
	24,259	24,258	48,517
Other			
Boissevain-Morton			
Regional Library	528	528	1,056
Boyne Regional Library	581	581	1,162
Brandon and Area			
Planning District	5,664	5,664	11,328
Brokenhead River			
Planning District	730	730	1,460
Carberry Plains Cemetery	714	714	1,428
Carberry Plains Community			
Centre Board	950	950	1,900
Carman-Dufferin			
Recreation Commission	2,146	2,146	4,292
Cypress Planning District	311	311	622
Subtotal, carried forward	\$ 11,624	\$ 11,624	\$ 23,248

Schedule 2

Page 8

The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1986

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 11,624	\$ 11,624	\$ 23,248
Other (cont'd)			
Dauphin Memorial Community Centre	1,553	1,553	3,106
Dauphin-Ochre Parks and Recreation Committee	770	770	1,540
Flin Flon Recreation Commission	14,958	14,958	29,916
Hamiota Municipal Park Incorporated	750	750	1,500
Jolys Regional Library	525	525	1,050
Leaf Rapids Town Properties	5,632	5,632	11,264
Manitoba Association of Urban Municipalities	2,485	2,485	4,970
Minnedosa Regional Library	726	726	1,452
Morden-Stanley-Thompson-Winkler Planning District	2,212	2,212	4,424
Municipal Employees Benefits Board	2,628	2,628	5,256
North Cypress-Carberry-Elton Recreation District	757	757	1,514
Neepawa and Area Planning District	530	530	1,060
Northern Community Councils	34,282	34,282	68,564
Parkland Regional Library	5,528	5,528	11,056
Reston District Library Board	510	510	1,020
Selkirk and District Planning Area Board	1,739	1,739	3,478
South Central Regional Library Board	2,097	2,097	4,194
South Interlake Planning District Board	1,936	1,936	3,872
South Interlake Regional Library Board	510	510	1,020
Southwestern Manitoba Regional Library	465	465	930
Tiger Hills Recreation District	663	663	1,326
Turtle River Watershed Conservation District #2	1,564	1,593	3,157
Union of Manitoba Municipalities	3,322	3,322	6,644
Subtotal, carried forward	\$ 97,766	\$ 97,795	\$ 195,561

Schedule 2**Page 9****The Municipal Employee Benefits Fund****Statement of Pension Contributions**

for the year ended December 31, 1986

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	\$ 97,766	\$ 97,795	\$ 195,561
Other (cont'd)			
Unincorporated Village District of Cranberry Portage	2,352	2,352	4,704
Western Manitoba Centennial Auditorium	3,670	3,670	7,340
Western Manitoba Regional Library Board	6,068	6,068	12,136
Whitemud Watershed Conservation District #1	5,960	5,960	11,920
Winnipeg River Planning District	842	842	1,684
	116,658	116,687	233,345
Total regular pension contributions	2,015,316	2,015,288	4,030,604
Contributions based on prior non-pensionable employment	3,092	11,952	15,044
Reinstatement payments	—	197	197
Long-term disability	158,053	150,142	308,195
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	23,162	23,163	46,325
Total pension contributions, Exhibit C	\$2,199,623	\$2,200,742	\$4,400,365

Schedule 3**The Municipal Employee Benefits Fund****Statement of Investment Income**

for the year ended December 31, 1986
(with 1985 figures for comparison)

	1986	1985
Fixed income, Note 2(a)(i):		
Interest	\$ 3,723,699	\$ 3,228,243
Amortization of discounts and premiums	20,451	8,946
Amortization of net realized gains, Note 2(a)(i)	49,824	45,455
Transfer to provision for investment losses, Exhibit E	(86,653)	(72,969)
	3,707,321	3,209,675
Equity income, Note 2(a)(ii):		
Real estate —		
dividends and interest	285,522	205,050
Other dividends and interest	200,522	169,514
Partial unrealized appraisal adjustments, net, Note 2(a)(ii)	215,167	210,117
Amortization of realized gains	6,675	6,675
	707,886	591,356
Total investment income, Exhibit C	\$4,415,207	\$3,801,031

Schedule 4**The Municipal Employee Benefits Fund****Statement of Administrative Expenses**

for the year ended December 31, 1986
(with 1985 figures for comparison)

	1986	1985
Salaries and fringe benefits:		
Salaries — permanent staff	\$ 88,141	\$ 85,868
Salaries — part-time staff	19,321	—
Fringe benefits	6,824	6,304
Health and post-secondary education tax levy	723	—
	115,009	92,172
Professional fees:		
Actuary	49,390	17,994
Audit	10,625	10,025
	60,015	28,019
Printing and stationery:		
Printing	5,292	3,083
Stationery and supplies	1,064	298
	6,356	3,381
Other:		
Bank and investments	4,042	2,169
Furniture and fixtures	520	2,835
Medical examinations	2,243	5,140
Seminars and travelling	2,901	5,185
Telephone, postage and delivery	1,231	832
Computer related costs	6,241	2,268
Miscellaneous	1,069	817
	18,247	19,246
Total administrative expenses, Exhibit C	\$ 199,627	\$ 142,818

The Municipal Employee Benefits Fund Notes to the Financial Statements

for the year ended December 31, 1986

1. Nature of the Organization:

The Municipal Employees Benefits Board was established under the The Municipal Act in 1976 and is responsible for administering the Municipal Employee Benefits Fund. This Fund is the vehicle through which pension, long-term disability, and group insurance programs are delivered for municipal and quasi-municipal employees. These programs are provided for by regulation under The Municipal Act. The administrative expenses incurred in delivering these programs are set out in Schedule 4.

2. Significant Accounting Policies:

The significant accounting policies are summarized below:

(a) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Premiums and discounts of one percent or less of par value are reflected in income in the year of acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

Gains or losses on disposition before maturity are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments.

Investment income is reduced annually by $\frac{1}{4}$ of 1% of the book value of investments to a maximum of the provision not exceeding 3% of the book value of the investments and the amount of the reduction is credited to the provision for investment losses.

(ii) Equity investments:

Equity investments are adjusted annually to reflect one-fifth of any unrealized gains or losses. One-fifth of the difference between market value and the adjusted book value at year end is reflected in income.

One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

(b) Provision for investment losses:

The provision for investment losses, shown in the Balance Sheet, does not reflect a valuation of the investments, but is maintained to stabilize and even out the investment income. Any impairment in the value of investments, if considered permanent by the Investment Committee, will be charged against the provision.

(c) Refunds:

The Fund's policy is to reflect refunds of employees' contributions

on the cash method of accounting.

(d) **Computer Equipment:**

Mini computer equipment costs are capitalized and amortized on a straight line basis over six years.

(e) **Group Life Insurance:**

The Fund has included contributions by employees and participating organizations in the month of December pertaining to coverage for January in its accounts. This is reflected in the financial statements as insurance contributions accrued and is offset by the insurance contributions account.

3. Transfers from Prior Carriers:

The Municipal Employees Benefits Board's actuary has been arranging, on behalf of the Board, for the transfer of funds pertaining to municipal employees prior service from prior carriers for employees who have agreed to have these funds transferred to the Fund. As at December 31, 1986, transfers have been made amounting to \$3,489,648 (1985 - \$3,489,648). During 1986, an experience rating refund in the amount of \$140,765 was transferred from a prior carrier. As at December 31, 1986, experience rating refunds have been received amounting to \$575,598 (1985 - \$434,833).

The funds transferred remain with prior carriers who are holding them in trust for the Fund in accordance with the terms of the contracts. These contracts provide that the Fund, with minor restrictions, can take complete control of the funds with the following exceptions: one contract may not be terminated until April 1, 1988; one contract reserves the right to limit withdrawals of funds to 25% in any one year; and one contract provides for a penalty commencing at 5% and reducing progressively until eliminated by 1991. As a result of the

transfers, the Board assumes responsibility for the related pension liabilities.

4. Administrative Services:

The Municipal Employees Benefits Board entered into an agreement with The Civil Service Superannuation Board to provide administrative services to The Municipal Employees Benefits Board with regard to its Pension Plan and Group Insurance Plan operations. In accordance with the terms of the agreement, The Municipal Employees Benefits Board reimburses The Civil Service Superannuation Board for the cost of these services. During the year under review, the administrative services reimbursement amounted to \$41,418 (1985 - \$43,919) and is included in administrative expenses.

5. Pension Indexing Adjustment Account:

The Municipal Employees Benefits Board approved a revision to the cost-of-living program, effective July 1, 1985, which provides for cost-of-living adjustments to pension payments to a maximum of the lesser of 50% of the Consumer Price Index of Canada or 5%, subject to the ability of the Pension Adjustment Account to finance the increase without creating an unfunded liability. Also, on July 1, 1985, a pension indexing adjustment account was established to finance these cost-of-living adjustments. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of \$2,376,200. Interest is credited semi-annually to the account at the average rate of return on fixed income investments during the three year period reviewed in the latest actuarial report on the financial position of the Pension Plan. Cost-of-living adjustments are charged to the account.

Effective July 1 of each year, cost-of-living pension adjustment payments are calculated in accordance with the reports prepared by the actuary and approved by the Board.

The annual actuarial valuation of the pension indexing adjustment account as at January 1, 1986 indicated that \$2,564,463 was available to actuarially finance additional cost-of-living increases for pensioners. Effective July 1, 1986, the Board approved and paid the actuarially calculated pension adjustment for 1986 equal to:

- (a) 1.09% (1985 - .95%) of the total lifetime pension plus any previously granted adjustments in that allowance, and
- (b) 25¢ (1985 - 23¢) per month for each year of contributory service, to a maximum of 35 years.

for those employees who retired before January 1, 1985. Employees who retired after that date, but before July 1, 1986, were paid a pro-rata portion of the adjustment. Beneficiaries of deceased pensioners receive two-thirds of the adjustment that the pensioner would have been eligible for. The present value of the July 1, 1986 adjustment has been actuarially calculated to be equal to \$86,900 as at January 1, 1986, leaving a balance of \$2,477,563 available in the pension indexing adjustment account as at that date.

6. Actuarial Reports:

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Pension Fund on an actuarial valuation basis. In accordance with The Municipal Act, an actuarial valuation of the Pension Fund is required every three years. The most recent actuarial valuation report on the Pension Fund as at January 1, 1986

disclosed a surplus of \$2,445,523 based on the service to date valuation method.

The actuarial valuation of the Insurance Fund as at January 1, 1983 disclosed a deficit of \$623,552. The Actuary, in his report, stated that the existence of a deficit in the Insurance Fund is due to the initial unfunded liability when the Insurance Plan commenced. He also stated that the deficit is decreasing in terms of a percentage of total liabilities. The financial position of the Insurance Fund is expected to improve in the future based on a further improvement in claims experience and higher investment earnings. The actuarial valuation as at January 1, 1986 has not yet been completed.

7. Insurance Fund Experience:

(a) Experience Rating:

The Prudential Assurance Company Limited will, after the end of the policy year, determine whether a surplus or deficit has been incurred in accordance with the terms of the policy. The policy of the Fund is to recognize this surplus or deficit in the financial statements only after a final determination has been made. Interest is earned on a surplus and charged on a deficit from the end of the period for which the surplus or deficit is determined.

If the policy is in force at the end of the policy year, The Prudential Assurance Company Limited agrees to pay to the Board, the amount by which the surplus exceeds 50% of the premium paid to Prudential during the policy year just completed. In 1986, the Board received an experience refund of excess surplus for the policy year ended December 31, 1985 plus interest amounting to \$154,816

(1985 - \$11,600) as shown in Exhibit D.

The surplus retained by The Prudential Assurance Company Limited but belonging to the Board at the end of the December 31, 1985 policy year amounted to \$131,479 (1984 - \$125,458).

(b) Termination:

If this policy is terminated, the surplus or deficit will be determined in accordance with the terms of the policy on a final settlement date, after taking into account any surplus or deficit carried forward from prior years. A final surplus will be paid as a refund while a final deficit will be the responsibility of The Prudential Assurance Company Limited.

8. Money Purchase Accounts Plan:

A Money Purchase Accounts Plan was established effective July 1, 1985. Eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board is authorized to charge the Plan with an administration fee. The accumulated value of the participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

Appendix 2

Manitoba Municipal Employees Pension Plan

Summary of Actuarial Report as at January 1st, 1986

The Municipal Act requires an Actuarial Report on the financial position of the Plan to be made at least once every three years.

The latest of these Reports was prepared as at January 1st, 1986 (1986 Report), by John A. Turnbull, F.S.A., F.C.I.A., and Louis Ellement, F.S.A., F.C.I.A., of Turnbull and Turnbull, Actuaries for the Plan.

The financial position of the Plan is shown in the Valuation Balance Sheet. For present participants in the Plan, the Valuation Balance Sheet compares:

- (a) the present value of the liabilities which the Plan has, in respect of the benefits promised, and
- (b) the present value of the funds available to finance these liabilities as they fall due.

The results of the Report are based on a set of assumptions. Assumptions are chosen for each of the factors which will affect the Plan financially in future years. Each assumption is based on relevant past experience. The experience is studied over long enough periods of time to produce reliable information. The experience related to the utilization of benefits is studied over the nine-year period prior to the valuation date. The experience related to the assumed rate of return, expected general increases in salaries and expected interest credits on contributions is studied over the 20-year period prior to the valuation date. If a permanent trend appears to be developing, the existing assumptions are modified to reflect that trend in the future.

The 1986 Report showed the financial position of the Plan as at January 1st, 1986 using both the service to date method of valuation and the total service method of valuation. The total service method of valuation reflects the financial position of the Plan in respect of service completed up to the valuation date and service expected to be completed in the future while the

service to date method of valuation reflects the financial position of the Plan with respect to service completed up to the valuation date only. Prior Reports have used the total service method. Future Reports will use the service to date method. This change was made to satisfy the requirements of the Pension Benefits Act of Manitoba.

The results obtained indicate that the Plan has a surplus of \$2,445,523 as at January 1st, 1986 using the service to date method of valuation. This result is reconciled to the result of the previous Report by the following items:

Surplus as at	
January 1st, 1983	\$8,232,240
Cost of improvements in benefits	(5,302,300)
Interest credit on balance	864,400
Favourable actual experience	3,638,483
Effect of modifications in assumptions	(2,299,500)
Effect of change in valuation method	(2,687,800)
Surplus as at	
January 1st, 1986	\$2,445,523

The improvements in the benefits included the following items. Pension adjustments were granted in 1984 to offset increases in the cost of living after retirement. A Pension Adjustment Account was established effective January 1st, 1985 to provide increases in pensions in 1985 and future years. The reduction in pensions provided on retirement prior to age 60 was decreased from $\frac{1}{4}$ of 1% to $\frac{1}{8}$ of 1% for each month between the date of retirement and age 60. Also, a number of amendments were made to comply with changes to the Pension Benefits Act of Manitoba.

The Valuation Balance Sheet as at January 1st, 1986 based on the service to date method of valuation follows:

Manitoba Municipal Employees Pension Plan**Valuation Balance Sheet** as at January 1st, 1986**ASSETS**

Invested Assets:		
Fixed Income	\$29,489,404	
Equity	7,934,874	
Less: Investment reserve	330,469	
Pension Adjustment Account	2,628,864	\$34,464,945
Cash in bank	241,802	
Accrued interest on investments	274,903	
Contributions receivable	338,677	855,382
Value of future payments by employees purchasing credit for prior service		58,300
TOTAL ASSETS		\$35,378,627

LIABILITIES

Value of liabilities in respect of current benefits		
— retirement pensions	\$4,702,700	
— disability pensions	605,800	
— survivors' pensions	218,000	\$5,526,500
Value of liabilities in respect of future benefits earned for service to December 31st, 1985		
(a) present employees		
— retirement pensions	\$16,888,800	
— disability pensions	1,928,400	
— survivors' pensions	2,708,900	
— deferred pensions	2,601,700	
— cash settlements on death	356,600	
— cash settlements on termination	744,400	
— refunds due to 50% test	330,400	
(b) former employees		
— deferred pensions	234,100	25,793,300
Value of funds to be transferred under reciprocal agreements		67,000
Value of paid-up pensions to be paid under reciprocal agreements		339,700
Value of pensions under Disability Part of Plan		
— current disabled employees		830,400
Accounts payable		376,204
TOTAL LIABILITIES		\$32,933,104
SURPLUS		\$2,445,523